

Message Text

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SUBJECT: MORE ON SAMOTLOR - NEW LICENSING WOES

REF: MOSCOW 14964

1. DURING MEETING JULY 25 WITH OTIS ENGINEERING REPS
(MAX RAULINS AND JOHN GRAY) COMATT AND COMOFF DIS-
CUSSED CURRENT STATUS OF SAMOTLOR GAS LIFT PROJECT
CONTRACT NEGOTIATIONS. (OTIS IS ONE OF MITSUBISHI'S
SUB-CONTRACTORS.) APPARENTLY DUE TO ANXIETY OVER USG
LICENSING APPROVAL FOR GEOTECH (TELEDYNE) AUTOMATION
AND CONTROL EQUIPMENT, SOVIETS HAVE BROUGHT BACK FRENCH
PRIME BIDDER TECHNIP INTO TALKS. TECHNIP SAYS IT CAN
ACT AS OWN SUB-CONTRACTOR FOR AUTOMATION SYSTEM AND
HAS DEVELOPED ITS OWN SUCH SYSTEM FOR PROJECT WHICH
WILL ENCOUNTER NO LICENSING PROBLEMS. (THUS, TECHNIP
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COULD ASSUME GEOTECH ROLE AS SUBCONTRACTOR.) UP TO
NOW EVERYONE INVOLVED IN SAMOTLOR NEGOTIATIONS BELIEVED
MITSUBISHI WAS A SHOE-IN FOR THE PRIME CONTRACT.
RAULINS PERSONALLY FEELS TECHNIP WILL NOT CONVINCE
SOVIETS THAT ITS SYSTEM IS GOOD ENOUGH TO REPLACE
GEOTECH'S. TECHNIP'S REAPPEARANCE, HOWEVER, WILL
FURTHER DRAG OUT NEGOTIATIONS.

2. RAULINS ALSO EXPRESSED COMPANY'S WORRY ABOUT LACK OF CLEAR GUIDELINES ON U.S. OIL FIELD EQUIPMENT LICENSING POLICY, AS REGARDS BOTH SAMOTLOR AND ALL OTHER SALES TO THE USSR. OTIS IS IN MIDST OF NEGOTIATIONS WITH MASHINOIMPORT FOR DOWN-HOLE AND WIRE LINE EQUIPMENT. COMPANY SUPPLIED EQUIPMENT FOR 239 WELLS IN 1977 AND MAY CONTRACT FOR AN ADDITIONAL 265 IN 1978. MOST OF WELLS ARE GAS PRODUCING. (HE NOTED THAT THERE ARE ABOUT 2000 WELLS INVOLVED IN SAMOTLOR GAS LIFT PROJECT.) RAULINS ADMITTED THAT IF LICENSE FOR OTIS EQUIPMENT IS REFUSED, SOVIETS CAN OBTAIN SIMILAR MATERIAL ELSEWHERE, ALTHOUGH NOT RIGHT AWAY. HIS AND GRAY'S ESTIMATES OF TIME FOR FOREIGN COMPETITORS (JAPANESE AND GERMANS, NAMELY) TO GEAR-UP PRODUCTION FACILITIES RANGED FROM ONE MONTH TO ONE YEAR. HE STATED THAT SOVIETS ARE ALSO FULLY CAPABLE TO DEVELOPING THEIR OWN PRODUCTION OF DOWN HOLE AND WIRE LINE EQUIPMENT AS THE PARTICULAR TECHNOLOGY IS NOT HIGHLY PROPRIETARY.

3. COMMENT: WE APPRECIATE OTIS CONCERN OVER LACK OF SPECIFICS ON LICENSING, ESPECIALLY IN LIGHT OF RAULINS' CONTENTION THAT EQUIPMENT HIS COMPANY IS PRODUCING FOR SOVIET MARKET IS OF ODD DIMENSIONS AND THUS NOT MARKETABLE ELSEWHERE. IN FAIRNESS TO LIMITED OFFICIAL USE

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OTIS AND OTHER AMERICAN COMPANIES, SOME GUIDELINES SHOULD BE DISSEMINATED SOON ON WHAT TYPES OF TECHNOLOGY RELATING TO OIL AND GAS EXPLOITATION ARE LIKELY TO BE DENIED EXPORT LICENSES. MEANWHILE, ONE SPECIFIC RESPONSE WHICH WOULD BE HELPFUL CONCERNS CASES WHERE A LICENSE HAS BEEN GRANTED IN THE PAST FOR A PARTICULAR LINE OF GOODS AND A COMPANY IS NEGOTIATING FOR FURTHER SALES OF IDENTICAL GOODS. IN SUCH CASES, CAN CONTINUED EXPORT APPROVAL BE EXPECTED? WE WOULD APPRECIATE BEING KEPT APPRISED OF DEVELOPMENTS IN POLICY FORMULATION IN THIS FIELD AND WOULD WELCOME ANY SPECIFICS WHICH CAN BE PROVIDED ON ABOVE QUESTIONS AT THIS TIME. END COMMENT. TOON

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